



IN REPLY REFER TO:

Executive Direction

United States Department of the Interior  
BUREAU OF INDIAN AFFAIRS  
EASTERN OKLAHOMA REGION  
OSAGE AGENCY  
POST OFFICE BOX 1539  
PAWTHUSKA, OKLAHOMA 74056-1539



June 5, 2015

To all Osage Minerals Lessees:

On May 11, 2015, the Department of the Interior, Bureau of Indian Affairs (Bureau), published revised regulations to 25 C.F.R. Part 226. As many of you are aware, as part of the Osage Tribal Trust Settlement executed October 14, 2011, the Department agreed to engage in a negotiated rulemaking to revise the oil and gas regulations governing Osage County. The revised Rule is a result of the negotiated rule making. The Revised Rule can be found online at:

<http://www.gpo.gov/fdsys/pkg/FR-2015-05-11/pdf/2015-11314.pdf>

The Rule updates the existing oil and gas regulations governing Osage County, Oklahoma. For example, it strengthens reporting and inspection requirements, provides more specificity regarding a lessee's obligations with respect to its mining operations, and adjusts royalty rate calculations and bonding amounts, in order to protect the best interests of the Osage mineral estate, ensures safety, and discourages future regulatory violations. Among other revisions, the Rule provides for oil royalties to be paid based on the greater of either the actual selling price or the NYMEX daily price at Cushing, OK; specifies new requirements for gas measurement (including compliance with Bureau of Land Management (BLM) On-Shore Order 5); adds site security requirements; enhances inspection authority and requirements; details environmental responsibilities and protections (including compliance with BLM On-Shore Order 6 regarding H<sub>2</sub>S gas); increases standards for safety and control of wells, including protection of other minerals and fresh water; provides for increased notice to surface owners, and increases commencement fees to surface owners. BLM On-Shore Orders 5 and 6 can be found online at:

[http://www.blm.gov/wo/st/en/prog/energy/oil\\_and\\_gas/onshore\\_oil\\_and\\_gas.html](http://www.blm.gov/wo/st/en/prog/energy/oil_and_gas/onshore_oil_and_gas.html)

**The Rule becomes effective on July 10, 2015.** Because it will take time for some lessees to meet new requirements contained in the Rule, the Bureau encourages all lessees to begin reviewing the revised regulations now. For example, the following provisions will require advance work on the part of some or all lessees to be in compliance by July 10, 2015:

- Compliance with bonding in 25 C.F.R. § 226.9 (the new bonding requirement applies to all leases within Osage County (i.e., all existing and new leases))
- Compliance with computation of royalty for oil in 25 C.F.R. § 226.18 and gravity adjustment calculations in 25 C.F.R. § 226.19. Information regarding NYMEX can be found at: <http://www.onrr.gov/Valuation/NYMEX.htm>
- Compliance with computation of gas royalty in 25 C.F.R. § 226.20
- Compliance with marking of wells and tank batteries in 25 C.F.R. § 226.58

- Compliance with measuring and storing oil in 25 C.F.R. § 226.62
- Compliance with gas measurement requirements in 25 C.F.R. § 226.63, including adherence to BLM On-Shore Order 5
- Compliance with site security standards in 25 C.F.R. § 226.65

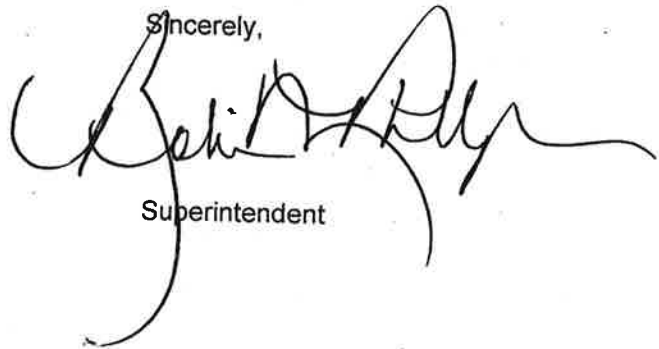
These are just some examples but please note that lessees are responsible for complying with each and every provision of the revised regulations beginning on July 10, 2015. If for any reason a lessee is unable to come into compliance with any provision(s) of the revised regulations by July 10, 2015, the lessee must contact the Superintendent in writing by July 10, 2015. The lessee must provide a detailed explanation of the reasons why it cannot comply with the applicable regulation(s) by July 10 and provide a reasonable timeline for when the lessee can come into compliance. The Superintendent will review each submission on a case by case basis and may, in her discretion, provide additional time to comply before fines or penalties are assessed.

To assist lessees in understanding the revised regulations, the Bureau is hosting informational training sessions to discuss the regulations and answer questions in June. The following is a schedule of the location and times of the trainings:

June 17, 2015	Wah-Zha-Zhi Cultural Center	1:00 pm - 5:00 pm
June 18, 2015	Wah-Zha-Zhi Cultural Center	10:30 am - 2:30 pm
June 18, 2015	Wah-Zha-Zhi Cultural Center	5:00 pm - 9:00 pm
June 23, 2015	Wah-Zha-Zhi Cultural Center	5:00 pm - 9:00 pm
June 24 2015	Wah-Zha-Zhi Cultural Center	1:00 pm - 5:00 pm
June 25,2015	Wah-Zha-Zhi Cultural Center	10:30 am - 2:30 pm

We look forward to seeing you at the trainings.

Sincerely,



Superintendent